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Tewksbury, MA's GO Debt Upgraded To 'AA+' From 'AA' On Sustained Operating Performance; Series 2015 GO Bonds Rated 'AA+'

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BOSTON (Standard & Poor's) Nov. 12, 2015--Standard & Poor's Ratings Services raised its rating on the Town of Tewksbury, Mass. general obligation (GO) bonds to 'AA+' from 'AA'.

"We base the upgrade on sustained positive operating performance and the town's formal adoption and integration of key financial management policies," said Standard & Poor's credit analyst Christina Marin.

At the same time, Standard & Poor's assigned its 'AA+' long-term rating to the town's series 2015 GO bonds. The outlook for both ratings is stable.

A pledge of the town's full faith and credit, subject to Proposition 2 1/2 limitations, secures the bonds. We understand proceeds will be used to undertake major renovations on the town's water treatment plant and refund 2006 bonds for a net present value savings of \$650,000.

The rating reflects our assessment of the following factors for the town:

- Very strong economy, with access to a broad and diverse metropolitan statistical area;
- Very strong management, with "strong" financial policies and practices under our financial management assessment methodology;
- Strong budgetary performance, with balanced operating results in the general fund and at the total governmental fund level;
- Strong budgetary flexibility, with an available fund balance in fiscal

2015 of 9.5% of operating expenditures;

- Very strong liquidity, with total government available cash of 30.6% of total governmental fund expenditures and 8.4x governmental debt service, and access to external liquidity we consider strong;
- Adequate debt and contingent liability position, with debt service carrying charges of 3.7% of expenditures and net direct debt that is 84.6% of total governmental fund revenue, as well as low overall net debt at less than 3.0% of market value and rapid amortization with 71.1% of debt scheduled to be retired in 10 years, but a large pension and other postemployment benefit liability and the lack of a plan to sufficiently address the obligation; and
- Strong institutional framework score.

The stable outlook reflects our view that Tewksbury's very strong management conditions, very strong economy, and strong reserves that we believe should translate into consistent and positive operating performance into the near future.

We are unlikely to raise the rating in our two-year outlook horizon due to Tewksbury's high pension and OPEB liabilities. Furthermore, although we consider the town's economy very strong, wealth and income indicators are slightly below higher-rated peers.

Should financial performance deteriorate and reserves decrease, we could revise the outlook or lower the rating.

RELATED CRITERIA AND RESEARCH

Related Criteria

- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Limited-Tax GO Debt, Jan. 10, 2002

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Massachusetts Local Governments

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